

CAPITAL PLANNING ADVISORY BOARD

Minutes of the First Meeting of the 1998 Calendar Year

April 30, 1998

The first meeting of the Capital Planning Advisory Board (CPAB) of the 1998 calendar year was held on Thursday, April 30, 1998 at 10:00 AM, in Room 111 of the Capitol Annex. Representative Fred Nesler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Fred Nesler, Chairman; Bill Hintze, Vice-Chairman; Representative Lawrence Brandstetter; Susan Clary; James Codell; Beth Hilliard; Bonnie Howell; Lou Karibo; Senator Denny Nunnelle; Senator Albert Robinson; Nick Schwendeman; Diane Thompson; Laurel True; and Judge Edwin White.

Guests: Secretary John McCarty, Finance and Administration Cabinet; Commissioner Armond Russ, and Jim True, Department for Facilities Management; Jim Abbott, Director, Division of Real Properties; Gary Cloyd, Workforce Development Cabinet; Mary Allen, University of Kentucky; Larry Younger, Cabinet for Families and Children; Bart Bolin and Gene Long, Cabinet for Health Services; Stan Cope and Mike Fulkerson, Justice Cabinet; Chris Tobe, Auditor's Office; Sherron Jackson, Council on Postsecondary Education; Ron Carson, Governor's Office for Policy and Management; Kim Link, Office of Financial Management and Economic Analysis; Mike Helton, McBrayer, McGinnis, Leslie and Kirkland; Jack Affeldt, Clint Newman, and Virginia Wilson, Legislative Research Commission.

Press: Dave Baker, Frankfort State Journal; Mark Chellgren, Associated Press.

LRC Staff: Pat Ingram, Mary Lynn Collins, and Jonathan Downey.

Chairman Nesler introduced Beth Hilliard and Nick Schwendeman, two new

Chairman Nesler said the next item on the agenda was approval of the minutes from the October 20, 1997 meeting. Mr. Karibo's motion that the minutes be approved was seconded and passed by voice vote.

Chairman Nesler said the agenda had been changed to allow ample time for the Finance and Administration Cabinet's report on the long-range plan for Frankfort. He asked Pat Ingram, Staff Administrator for the Board, to provide some background on the long-range plan. Ms. Ingram said the CPAB has had an interest in this issue since the Board's inception. The first Statewide Capital Improvements Plan, completed by the Board in 1991, recommended a series of Space Management Goals which were enacted by the 1992 General Assembly and codified in KRS 42.027 as a part of the duties of the Department for Facilities Management in the Finance and Administration Cabinet. Specifically, KRS 42.027(2)(b) provides that the Department is to develop "A long-range plan for the Frankfort area, with priority on reducing dependency on leased space and encouraging the consolidation of agencies' central offices into single locations, and shared offices for agencies with similar functions." In the past, the Board has received reports concerning development of space standards. At its August 1996 meeting, the Board received a preliminary report on the long-range plan by officials from the Department for Facilities Management. At the Board's 2-day meeting in July 1997, Fantus Consulting presented its report and recommendations on the state's long-range plans for office and warehouse space in Franklin County.

Since it had not been completed by the Board's November 1, 1997 statutory deadline for submission of its statewide capital improvements plan, CPAB included as one of its issue-related recommendations that the long-range plan be completed as quickly as possible. The Board recommended 2 projects in the *1996-2002 Statewide Capital Improvements Plan* which were authorized by the 1998 General Assembly and which will have an impact on the development of the long-range plan. These are the new Transportation Cabinet office building and the new office building for the Kentucky Higher Education Assistance Authority (KHEAA).

Chairman Nesler introduced Finance and Administration Cabinet Secretary John McCarty to make a presentation on the current status of the long-range plan. Secretary McCarty then introduced Armond Russ, Commissioner of Facilities Management, and

forward with these space management goals. The Cabinet's plan also involves renovation of some existing state property.

Secretary McCarty stated that the Cabinet has been attempting over the past few years to bring some discipline to the planning process. The plan is partially based on projections and reflects the Cabinet's best estimates at this time. He stressed that the plan has not been approved by the Governor's Office, but is the Cabinet's view of the best course of action.

Secretary McCarty apologized for leaving but said he was needed at a Kentucky Economic Development Finance Authority meeting and turned the presentation over to Commissioner Russ and Mr. Abbott. He assured the Board that this should be a brief meeting, and he would try to return as soon as possible.

Commissioner Russ said this was the first time the plan had been presented to such a Board and was an effort to initiate dialogue between the Department and the Board. Commissioner Russ said when he was hired two years ago, there was no plan in place, other than to build any new buildings on vacant state-owned property located on the East-West Connector in Frankfort. The vacant property is in two locations: the Department for Libraries and Archives site and the Central Laboratory site (Sower Boulevard). The state also has options to buy some land. The new 50,000 square foot Public Service Commission (PSC) building has been sited at Sower Boulevard; bids will be opened May 5, 1998, with construction beginning shortly thereafter.

Commissioner Russ said early discussions with the Transportation Cabinet centered on the Sower Boulevard site. If located there, the building would occupy all of the remaining state-owned space at the site. He said early discussions with KHEAA involved the Libraries and Archives site. There are a number of advantages to locating new buildings on the East-West Connector - a good road network, no existing buildings to be demolished or relocated, and the availability of state-owned property.

Commissioner Russ said that in the fall of 1997, some local interests raised the possibility of locating new state buildings in downtown Frankfort, in lieu of or in conjunction with expansion at the Sower Boulevard site. The proposed Downtown Corridor runs from the Capital Plaza Tower to the State Office Building and up Holmes

historic properties. Commissioner Russ said spaces in a parking structure generally cost approximately \$10,000, compared with \$1,000 per space for flat parking.

The Department has also looked at the Transportation Cabinet's motor pool site on Holmes Street, but that state-owned property is subject to flooding. Commissioner Russ said it must be determined if there is a great enough cost benefit to a downtown location. The 1998 General Assembly enacted legislation stating that if any authorized project is constructed within the city limits of Frankfort, it is to include an amount sufficient to meet 50 percent of the cost of correcting any drainage problems in the surrounding area.

Representative Brandstetter noted the Board's concern about reducing the amount of space leased by the state in Frankfort. He said the alternatives presented raise both major technical issues, related to roads, etc., and significant social issues, related to hurting downtown by moving jobs and other activity out. He said much more analysis needs to be done.

Commissioner Russ agreed, saying that just doing a technical study is very time consuming. This is a great concern because in order to begin the process of renovating the state's existing large office buildings, the Transportation Cabinet building must first be constructed. The new building would serve as floating space to allow employees to be moved out of other buildings that need to be renovated.

In response to a question from Representative Brandstetter, Commissioner Russ said the Transportation Cabinet building will be 420,000 square feet and would require all available land at the Sower Boulevard site. Prototyping done by the Department suggests that the most economical approach would be to construct three smaller buildings, which are connected, and a support structure such as a cafeteria; parking would surround these buildings.

Mr. True said that even if the new building was constructed away from downtown, the same number of employees would be there in the future because the existing State Office Building will still be utilized. His primary concern is that at a downtown site the state's taxpayers would have to pay to correct the drainage problem, to construct a new parking garage, and to address other technical issues. For this reason, he said he favored a campus concept on the East West Connector. Additionally, due to the existing road

Nunnelley's question, Mr. Hintze said the final decision on where to locate the building would come from Secretary McCarty with input from others in the Finance and Administration Cabinet, the Transportation Cabinet, and the community. He said this was not a city vs. county issue since both sites are in Frankfort for purposes of Frankfort's tax base. Meetings have taken place to discuss preferences, costs, logistical problems, timing issues, and historical structures. He said it was his opinion that presently there is a policy preference for the downtown site, but no ironclad commitment to that location.

Mr. Hintze said the state has not authorized a major new office building in over 20 years, and it is very important to construct it so that other needed renovation projects can proceed. Since its inception, CPAB has looked at Frankfort/Franklin County in terms of needing the kind of analysis that has begun in the last few years.

Mr. Hintze said if the Transportation Cabinet building is sited on the East-West Connector, it will exhaust the state-owned space, but it will not exhaust the prospect of moving forward at that location with the acquisition of additional land. If it is sited downtown, it will become part of a larger development. If it is not, the state will still look at the Downtown Corridor for other state office buildings.

Secretary Codell said it is incumbent upon the Board and other people in the audience to recognize that only until the budget was enacted could the process of analyzing possible sites be fully initiated. He said the Transportation Cabinet is now studying the impact of a downtown building on traffic flow.

Representative Brandstetter said the lack of foresight and planning has placed the state in a position where it may not have enough time to adequately review all the technical and social issues downtown in order to be able to use that area as a viable alternative for the office building. He said there would be a significant delay in terms of making this decision if the state is going to do it properly.

Secretary Codell said that was probably correct; with an investment of this magnitude, the state will have to evaluate it to the extent possible. He said opening up the Downtown Corridor has a great deal of merit in his opinion.

Representative Brandstetter noted that as Mr. True had pointed out, it is very

higher scope and to locate the building downtown, but, in particular, he is concerned about the added expense of constructing a parking garage.

Commissioner Russ said the parking garage would provide parking for the new History Center as well as for the Civic Center. Presently, during hours in which state government is in operation, there is very little parking for Civic Center events.

In response to questions from Chairman Nesler about the availability of additional land near the current state-owned properties, Commissioner Russ said the city owns the Carpenter Farm adjacent to the Sower Boulevard site and the state has the ability to purchase it. There is also privately-owned land behind the Libraries and Archives site, and Commissioner Russ said there is the possibility of purchasing this land at some point.

Chairman Nesler asked which property would be best suited for the Transportation Cabinet building and could be quickly developed with the least expense. Mr. Abbott said there have been studies made of both properties. He said it would depend on the scale of the project, but both sites are fairly equal in terms of contours and infrastructure at present time.

Chairman Nesler commented that if the Transportation Cabinet building would occupy all available state-owned space at the Sower Boulevard site, it may not be a wise course of action to lock the state into an area with no potential for expansion. He also wondered if the city might be interested in trading state-owned property downtown for its property at Sower Boulevard.

Chairman Nesler said he agreed with the other members who had expressed the concern that taxpayers should be considered first in deciding the location of the building. He said he was also concerned about downtowns, but that Frankfort currently does not have the businesses and attractions needed to draw people into the area except to work. He said he felt it was important to leave room for expansion and stay away from any flood-prone areas. Chairman Nesler also indicated the expense incurred in using the downtown site might adversely impact the availability of funding for other needed projects.

Commissioner Russ said there have been discussions with the city concerning the

construction. The city acquired its parcel at the same time as well, in anticipation of future partnerships for state development.

Mr. Abbott noted there is the potential to place the KHEAA building downtown near the Capital Plaza Tower. The location is currently a gravel parking lot. Mr. Russ said an existing parking structure is vastly underused by the Farnham-Dudgeon Arena and a pedway could be constructed to connect the KHEAA building to the garage. He noted that smaller buildings can be placed downtown with less impact on traffic and historic structure.

Commissioner Russ said the Department for Facilities Management has taken the Fantus study, the E.A. Partners Study, and its own research, and developed its master plan for Frankfort, which extends over the next ten years. In addition to reducing the amount of leased space by building new office space, the Department must also deal with the renovation of many existing buildings. As such, they will need a place to temporarily relocate employees, as well as significant funding for the renovations.

The General Assembly has approved the construction of 545,000 square feet of new office space - the new Transportation Cabinet building, the PSC building, and the KHEAA building. The 50,000 square foot PSC building will come on line in approximately one year, with the 75,000 square foot KHEAA building probably available for use the following year. Commissioner Russ said the Transportation Cabinet building would take a longer period of time, probably 3 years or longer depending on the possible complications of a downtown site. As the Board has recognized, there is also a need to consolidate the offices of the Natural Resources and Environmental Protection Cabinet (NREPC).

Commissioner Russ said there are also two other facilities in need of renovation which, when completed, will provide additional state-owned space. One is the Jones Building, a historic structure next to the Department for Information Systems building. The Jones Building was built in the 1940's and has been used recently as a storage area. It would provide approximately 25,000 square feet of space when renovated. The second facility is the basement of the Health Services Building. This area was to be renovated in recent years, but the funds were required for asbestos removal. When completed, this area would provide 43,000 square feet of space.

Commissioner Russ said this project would be very complicated because the building houses all three branches of government.

Commissioner Russ said there has been a project in place to renovate the State Office Building with employees remaining in the building and renovations taking place three floors at a time. However, it soon became apparent that this would not be cost effective. The project would cause the release of asbestos and other carcinogens present in the building, as well as dust, mildews, and mold spores, making it impractical if not impossible to undertake a major renovation with the building occupied. He said there is no existing space in Frankfort to house the building's 1,000 employees during renovation. The Department's plan is to move them into the new Transportation Cabinet building, which would allow the State Office Building to be renovated.

Commissioner Russ said this renovation will not allow any reduction in leased space at that time because the State Office Building will be vacated for a year to a year and a half while it is being renovated. There has been no renovation to the building in approximately 40 years. When that renovation is completed, the Capital Plaza Tower will be approximately 35 years old with no major renovation. Mr. Russ pointed out that there have been numerous complaints concerning the air quality in this facility. This building also houses approximately 1,000 employees. Commissioner Russ said when the State Office Building renovation is complete, it is the Department's intention to relocate employees from the Capital Plaza Tower to the State Office Building.

Commissioner Russ said next to be renovated would be the Cabinet for Human Resources (CHR) Complex, built in 1978. By the time it is renovated, the CHR building will be approximately 35 years old and the Health Services building will be 40 years old. However, due to air quality and other problems, renovation may be needed sooner. The plan is to place those employees in the Capital Plaza Tower to allow renovation of the complex.

Commissioner Russ said when this entire process is completed in about 10 years, the state will see a gain in state-owned space and a reduction in leased space by moving employees from leased space into the last space renovated. He then asked Mr. Abbott to make the next portion of the presentation.

Senator Robinson asked if these were actual savings or if the state was leasing other space instead of eliminating space. Mr. Abbott said the space has been eliminated; Ms. Howell added that the state is closing its warehouse operations.

Mr. Abbott then gave the Board a summary of the actions, including those by EMPOWER Kentucky, which will be taken over a 10-year period to reduce leased space through refurbishment of existing space and construction of new space. The new space includes the PSC and KHEAA buildings, as well as a new NREPC building, which has not yet been authorized. It also includes space to be gained from renovation of the Jones Building and the basement of the Health Services Building. Mr. Abbott said these actions will result in a reduction of 833,000 square feet of leased space. This will allow the state to be in the 750,000 to 1,000,000 square foot range for leased space, as recommended by the Fantus study.

Mr. True asked how much this 833,000 square foot reduction would cost. Commissioner Russ said it would take approximately \$500 million in today's dollars to complete the plan, including the numerous renovations. Representative Brandstetter noted that the new Transportation Cabinet building is necessary before the plan can begin to be implemented. Commissioner Russ agreed, saying that provides what the Fantus study referred to as floating space.

Commissioner Russ then reviewed the proposed timeline for the plan. He said the new Transportation Cabinet building would be the cornerstone for the 10 year plan, which culminates in the year 2008. At that time, the state would be able to gain over 300,000 square feet that had been utilized as the floating space during the renovations. His funding plan shows in which biennium he would need design money and construction money for each project; however, the budget requests will be for authorization of the entire project (design and construction). The 1998 General Assembly allocated \$105,060,000 for new construction in Frankfort. Commissioner Russ said this is the largest amount appropriated for new construction of state-owned facilities in 20 years. However, according to the Department's plan, an additional \$116 million will be needed in the year 2000 for renovation of the State Office Building and construction of a NREPC building.

building. He said the other funds will be for improving facilities. Mr. Abbott said there is a significant need to address electrical and HVAC systems due to changes in how office space is used. He said this could be easily demonstrated by the inadequacies of the State Office Building.

Secretary Codell said this plan could be compared to the maintenance of the state's interstate and parkway systems, which are 35-40 years old. These systems have been maintained, but were not designed for the types of traffic and heavy loads that exist today. He said there was little alternative to renovating the Capitol.

Mr. Abbott said it would be possible to alter the plan; but if the chain was broken, it would not be possible to find enough leased space to house displaced employees when a decision was made to resume the renovations at a later time. He said most people also agree it is important to eliminate the fragmentation of space, such as that which exists with the NREPC, which occupies 17 leased locations and one state-owned location. Commissioner Russ said that if the process is broken and funds are not provided to move to the next step, newly renovated space would not be left vacant. It would be filled by taking employees out of leased space.

Representative Brandstetter said he appreciated the presentation. He said he was thankful that the Board was formed in 1990 and that it has pushed for this type of planning process. He also said it is important for the Board to maintain its mission because this type of planning will lead to better decision making; no one wants to interfere politically when a group has spent a long time on planning and evaluating an issue as this Board is doing.

Commissioner Russ said the Board's input and support would be a great help to him. He said without a viable plan, the whole process would not be effective. He said if a building must undergo a major renovation and there is no floating space to place employees, he is not sure how the project could be implemented.

In response to Mr. True's questions, Commissioner Russ said the state does still own the Berry Hill property. It is approximately 14 acres with an historic mansion, which is also in the Department's plans.

building. They would be connected in some way and there would be a common core which could include a restaurant or an audio/video center that could be used by various agencies. Commissioner Russ did note that in some instances, such as the PSC, the building must be tailored more toward the particular use that is planned.

Senator Robinson said it may be more beneficial and cost effective to try to accelerate the process, perhaps through issuing bonds for multiple projects. Commissioner Russ said if the state is able to move through the renovation process faster, it may result in some savings. However, by spreading the projects out, fewer funds will have to be requested from each General Assembly. He said he had become concerned when he saw the very large amounts that would be needed from each General Assembly. Senator Robinson suggested that the Department develop a scenario whereby the process could be accelerated and make it available for the Board and the General Assembly to consider. He said while the economy in the state is thriving, it may be a good opportunity to move quickly through bonding.

Chairman Nesler asked how the figures might change if the new Transportation Cabinet building was constructed downtown instead of the Sower Boulevard site. Mr. Hintze said it is possible that the Sower Boulevard site may have a scope \$15 million less than a downtown site, but no definitive numbers are yet available. Due to the parking structure and traffic complications, as well as the need for acquisition of property, the downtown site will certainly be more expensive, although the exact difference cannot be determined until a thorough analysis is completed.

Chairman Nesler thanked Commissioner Russ and Mr. Abbott for the presentation, noting that the Board had been seeking this information for some time. He said it was very important for a consensus to be developed between the Executive Branch and the General Assembly so that the process can proceed. He also requested that the Board be kept informed about site selection for the Transportation Cabinet building and as details and cost figures on the plan are finalized. Commissioner Russ thanked the Board and restated his request for input from the members.

Chairman Nesler then asked Ms. Ingram to review the information items contained in the meeting folders. The first item was an overview of the 1998-2000 budget enacted by the 1998 General Assembly. Ms. Ingram reviewed provisions of the budget that

contains a list of specific uses for any surplus general fund revenues - the Budget Reserve Trust Fund; the State Technology Trust Fund; the School Technology Trust Fund; the Endowment Funds established pursuant to House Bill 1 (the Postsecondary Education Improvement Act of 1997); and the Statewide Infrastructure Fund consisting of 146 priorities.

The final information item presented by Ms. Ingram was an overview of other enacted legislation of interest to the Board. These included House Bill 3, an act relating to state financial administration; House Bill 110, an act relating to maintenance of state assets; and Senate Concurrent Resolution 95, which directs the Legislative Research Commission to create a Task Force on Historic Properties. Ms. Ingram said Ms. Clary would review House Bill 455, the omnibus crime bill.

Ms. Clary said House Bill 455 includes a Juvenile Planning and Assessment Component, which sets up local delinquency councils. The Department for Juvenile Justice is to develop a detention program and look at alternatives, which CPAB had also asked to be done. Under HB 455, sex offenders will be treated more stringently. They will be serving longer sentences, as will other types of offenders. Violent offenders must serve 85% of their terms, and other offenders will have to serve 20 years before being considered for parole.

Ms. Clary said the bill did create some new crimes, including hate crimes, institutional vandalism, illegal liens, and the crime of manufacturing methamphetamines. In the capital offense area, the bill will allow imprisonment for life without the benefit of parole. For a Class A felony, an individual can now be assessed a term of 20-50 years. There will be a lot more longer terms being served.

Ms. Clary said the legislation mandates that judges consider alternative sentencing (such as home incarceration) unless it is inappropriate, such as for violent offenses. She said the bill takes an even-handed approach because along with the longer terms, it provides for pre-trial diversion programs, alternative sentencing, and pre-release programs.

In response to a question from Chairman Nesler about whether home incarceration is an option for anything other than misdemeanors, Ms. Clary said Class C and D felons

construction area. This is the most significant thing that has happened in the area of corrections in the last 20 years.

Mr. Hintze said for the second consecutive session the General Assembly paid very significant additional attention to the construction and renovation of courthouses. He said many of the state's courthouses have not received significant renovations in many years and this has been of particular interest to the CPAB.

Chairman Nesler said the meeting folders included a proposed schedule and agendas for the Board's meetings during the next two years. He said that if any members had suggestions for other agenda items to notify him or staff.

Judge White asked how long it would be before a decision was made on the location of the Transportation Cabinet building. He stated that he felt it was important for the Board to have input in this decision. Mr. Hintze said the Board could offer an opinion on this issue at any time it so chooses. He said there was no time limit or expectation of a quick decision on the location of the building; the Board would probably have at least 2 more meetings before this decision is made.

Ms. Ingram said the proposed schedule and agendas were based on the meetings that Chairman Nesler had with many of the Board members during the 1998 Session. Many members expressed an interest in the maintenance of state facilities and many of the agenda items address this issue. Chairman Nesler said he thought it would be appropriate for the Board, as more information is presented, to make a recommendation on the location of the Transportation Cabinet building. Senator Robinson said he would like for the Board to examine further the possibility of accelerating the process of renovating the state buildings in Frankfort.

Mr. True moved that the meeting be adjourned. Mr. Karibo seconded the motion, and the meeting was adjourned at 12:10 p.m.